

Mackinac Island
Public School



Year Ended
June 30, 2019

Financial
Statements

MACKINAC ISLAND PUBLIC SCHOOL

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INDEPENDENT AUDITORS' REPORT

October 31, 2019

Board of Education
Mackinac Island Public School
Mackinac Island, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Mackinac Island Public School* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the *Mackinac Island Public School* as of June 30, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the general fund and food service special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedules for the pension and other postemployment benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive style with a small vertical line under the "n" in "Johnson".

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MACKINAC ISLAND PUBLIC SCHOOL

Management's Discussion and Analysis

As management of the Mackinac Island Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$435,524 (net position). The District ended the year with an unrestricted deficit of approximately \$1.69 million.
- Compared to the previous year, the District's total net position increased by \$52,565.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$1.1 million, of which approximately \$1.02 million or 92% is available for spending at the District's discretion (unassigned fund balance). The governmental fund activity, for the year ended June 30, 2019, resulted in a net decrease in fund balances of approximately \$15,000.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately \$1.02 million, or 53% of total general fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., compensated absences).

Both of the District-wide financial statements distinguish functions of the District that are principally supported by taxes and state aid (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, supporting services, and food services. The District has no business-type activities as of and for the year ended June 30, 2019.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

MACKINAC ISLAND PUBLIC SCHOOL

Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds which are considered to be major funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, food service special revenue fund, and 2010 general obligation refunding bonds debt service fund.

The District adopts an annual appropriated budget for its general fund and food service special revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements. The *notes* provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules of the District's pension and other postemployment benefits plans.

The *combining and individual fund financial statements and schedules* are presented immediately following the required supplementary information.

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Management's Discussion and Analysis

District-wide Financial Analysis

As mentioned previously, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2019, the District reported assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources of \$435,524. The table below provides a summary of the District's net position as of June 30:

	Net Position		
	Governmental Activities		Percent Change
	2019	2018	
Assets			
Current and other assets	\$ 1,268,501	\$ 1,288,187	-1.5%
Capital assets, net	2,099,676	2,133,228	-1.6%
Total assets	3,368,177	3,421,415	-1.6%
Deferred outflows of resources	1,138,370	678,826	67.7%
Liabilities			
Other liabilities	159,100	174,373	-8.8%
Pension and OPEB liabilities	3,491,241	3,147,399	10.9%
Long-term debt	14,790	211,588	-93.0%
Total liabilities	3,665,131	3,533,360	3.7%
Deferred inflows of resources	396,892	183,922	115.8%
Net position			
Net investment in capital assets	2,099,676	1,933,228	8.6%
Restricted	25,012	86,320	-71.0%
Unrestricted (deficit)	(1,689,164)	(1,636,589)	3.2%
Total net position	\$ 435,524	\$ 382,959	13.7%

The District's net position includes, in part, its investment in capital assets (e.g. buildings and improvements and furniture and equipment). The District has no related outstanding debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending.

Restricted net position consists of amounts that have external restrictions related to how they may be spent. These restrictions are for food service.

The remaining amount of net position, a deficit of approximately \$1.69 million, represents the accumulated results of the current and all past years' operations. This deficit includes the impact of the Governmental Accounting Standards Board requirement to report the District's proportionate share of the net pension liability and net other postemployment benefit liability on its statement of net position. The operating results of the general fund will also have a significant impact on the change in unrestricted net position from year to year.

MACKINAC ISLAND PUBLIC SCHOOL

Management's Discussion and Analysis

The following condensed financial information was derived from the District-wide statement of activities and reflects how the District's net position changed during the fiscal year ended June 30:

	Change in Net Position		
	Governmental Activities		Percent Change
	2019	2018	
Program revenues			
Charges for services	\$ 14,723	\$ 13,640	7.9%
Operating grants and contributions	164,652	119,404	37.9%
Total program revenues	179,375	133,044	34.8%
General revenues			
Property taxes	1,640,319	1,667,414	-1.6%
Unrestricted state aid	303,195	297,604	1.9%
Interest earnings	35,005	26,387	32.7%
Total general revenues	1,978,519	1,991,405	-0.6%
Total revenues	2,157,894	2,124,449	1.6%
Expenses			
Instruction	1,314,490	1,163,257	13.0%
Supporting services	672,879	583,408	15.3%
Food services	60,964	56,502	7.9%
Interest on long-term debt	6,841	15,752	-56.6%
Unallocated depreciation	50,155	50,155	0.0%
Total expenses	2,105,329	1,869,074	12.6%
Change in net position	52,565	255,375	-79.4%
Net position			
Beginning of year	382,959	910,699	-57.9%
Restatement for implementation of GASB 75	-	(783,115)	-100.0%
End of year	\$ 435,524	\$ 382,959	13.7%

Financial Analysis of the District as a Whole

Of the District's total revenues available to operate the District, approximately \$15,000, or 0.7% was generated from fees charged to those who benefited from the programs. Approximately \$165,000, or 7.6%, was earned from other governments or organizations that subsidize certain programs with grants and other directed types of funding.

Local property taxes, in the amount of approximately \$1.64 million, represented 76.0% of the revenues of the governmental activities. The property tax revenue represents approximately 7.67 mills on non-homestead property and .6 mills for the debt service on all property. The unrestricted state aid accounted for approximately \$303,000, or 14.1% of the revenue available. This revenue is determined by a formula that incorporates pupil head count, the annual per pupil allowance and the non-homestead property taxable value of the District. The remaining amount of revenue, approximately \$35,000 or 1.6% was interest earnings.

MACKINAC ISLAND PUBLIC SCHOOL

Management's Discussion and Analysis

Being in the business of educating children, the largest expenses were incurred in instruction, which accounted for approximately \$1.31 million or 62.4% of total expenses. Supporting services amounted to approximately \$673,000 or 32.0% of total expenses, which includes such items as instructional staff, administration, transportation, maintenance, technology and athletics that support the District's mission of educating children.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As previously mentioned, the District's governmental funds reported combined ending fund balances of approximately \$1.1 million, a decrease of approximately \$15,000 in comparison with the prior year. Of the combined governmental fund balances, approximately \$1.0 million or 92.45% constitutes unassigned fund balance, which is available for spending at the District's discretion. District management has assigned approximately \$56,000 or 5.12% for subsequent year's expenditures. Approximately \$25,000, or 2.27%, is restricted for debt service (\$21,163) and food service operations (\$3,849). The remaining amount, approximately \$1,800 or 0.16%, is nonspendable, which indicates that it is not available for spending at the District's discretion. This amount relates to prepaid items.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, total fund balance, was approximately \$1.1 million of which approximately \$56,000 is assigned for subsequent year's expenditures. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Total fund balance represents approximately 55.5% of current fiscal year general fund expenditures and transfers out.

General Fund Budgetary Highlights

Generally, as additional information became known during the fiscal year, budget amendments were made as deemed necessary. A statement showing the District's original and final budget amounts, compared with actual amounts is provided in the basic financial statements.

The following were the significant differences between the originally adopted and final amended budgets:

- Business services increased by approximately \$16,000 between the original and amended budgets attributable to an additional appropriation for services in the current year.
- Operations and maintenance amended budget increased by approximately \$37,000 over the original budget attributable mainly to a need for additional appropriation for outside services to maintain the building.
- The central services - technology amended budget was approximately \$23,000 less than the original budget which was attributable to not requiring additional outside services used in the previous year.

The following were the differences between the final amended budget and actual results:

- Instructional support - basic programs actual expenditures were less than final budget expectations by approximately \$22,000 resulting primarily from lower than expected costs related to instructional staff services.
- General administration expenditures were less than final budget expectations by approximately \$17,000 also attributable to lower than expected staffing.

MACKINAC ISLAND PUBLIC SCHOOL

Management's Discussion and Analysis

- Operation and maintenance expenditures were less than final budget expectations by approximately \$20,000 resulting primarily from lower than expected costs related to utilities and capital outlay.
- Pupil transportation expenditures were approximately \$15,000 less than the final amended budget resulting from less off Mackinac Island athletic trips in fiscal 2019.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$2,099,676 (net of accumulated depreciation). This investment in capital assets includes land, building and improvement, and furniture and equipment. The land on which the school is built is owned by the City of Mackinac Island. The District's capital asset additions included the purchase of playground equipment, a tractor, a public announcement system, and a security system. Additional information on capital assets can be found in the notes to the financial statements.

	Capital Assets (net of depreciation)	
	2019	2018
Land	\$ 45,360	\$ 45,360
Buildings and improvements	1,957,839	2,024,965
Furniture and equipment	96,477	62,903
Total capital assets, net	<u>\$ 2,099,676</u>	<u>\$ 2,133,228</u>

Debt Administration. At the end of the current fiscal year, the District's long-term liabilities consist of compensated absences in the amount of \$14,790. The District made the final \$200,000 payment on outstanding bonds in May 2019. Additional information on long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

- General Fund revenues are anticipated to remain stable with small increases in property taxes offset by similar decreases in state revenues.
- General Fund expenditures are anticipated to increase approximately \$40,000 attributable to anticipated wage increases.

The District considered these factors in preparing the District's budget for the 2020 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Superintendent, Mackinac Island Public School, Mackinac Island, Michigan.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Net Position

June 30, 2019

Assets	
Cash and cash equivalents	\$ 1,183,123
Receivables	83,607
Prepaid items	1,771
Capital assets not being depreciated	45,360
Capital assets being depreciated, net	<u>2,054,316</u>
Total assets	<u><u>3,368,177</u></u>
Deferred outflows of resources	
Deferred pension amounts	985,022
Deferred other postemployment benefit amounts	<u>153,348</u>
Total deferred outflows of resources	<u><u>1,138,370</u></u>
Liabilities	
Accounts payable and accrued liabilities	159,100
Unearned revenue	9,000
Long-term debt:	
Due within one year	14,790
Net pension liability	2,751,921
Net other postemployment benefit liability	<u>739,320</u>
Total liabilities	<u><u>3,674,131</u></u>
Deferred inflows of resources	
Deferred pension amounts	228,626
Deferred other postemployment benefit amounts	<u>168,266</u>
Total deferred inflows of resources	<u><u>396,892</u></u>
Net position	
Investment in capital assets	2,099,676
Restricted for:	
Food service	3,849
Debt service	21,163
Unrestricted (deficit)	<u>(1,689,164)</u>
Total net position	<u><u>\$ 435,524</u></u>

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 1,314,490	\$ -	\$ 46,768	\$ (1,267,722)
Supporting services	672,879	-	107,169	(565,710)
Food services	60,964	14,723	10,715	(35,526)
Interest on long-term debt	6,841	-	-	(6,841)
Unallocated depreciation	50,155	-	-	(50,155)
Total governmental activities	2,105,329	14,723	164,652	(1,925,954)
General revenues				
Property taxes - operations				1,498,167
Property taxes - debt service				142,152
Unrestricted state aid				303,195
Interest earnings				35,005
Total general revenues				1,978,519
Change in net position				52,565
Net position, beginning of year				382,959
Net position, end of year				\$ 435,524

The accompanying notes are an integral part of these basic financial statements.

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FUND FINANCIAL STATEMENTS

MACKINAC ISLAND PUBLIC SCHOOL

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Food Service Special Revenue Fund	2010 General Obligation Refunding Bonds Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,162,089	\$ -	\$ 21,034	\$ 1,183,123
Receivables	79,303	4,175	129	83,607
Prepaid items	1,771	-	-	1,771
Total assets	\$ 1,243,163	\$ 4,175	\$ 21,163	\$ 1,268,501
Liabilities				
Accounts payable	\$ 15,397	\$ 326	\$ -	\$ 15,723
Accrued salaries and employee benefits	143,377	-	-	143,377
Unearned revenue	9,000	-	-	9,000
Total liabilities	167,774	326	-	168,100
Fund balances				
Nonspendable	1,771	-	-	1,771
Restricted	-	3,849	21,163	25,012
Assigned for subsequent year's expenditures	56,285	-	-	56,285
Unassigned	1,017,333	-	-	1,017,333
Total fund balances	1,075,389	3,849	21,163	1,100,401
Total liabilities and fund balances	\$ 1,243,163	\$ 4,175	\$ 21,163	\$ 1,268,501

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2019

Fund balances - total governmental funds	\$ 1,100,401
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	45,360
Capital assets being depreciated, net	2,054,316
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(14,790)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net OPEB liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(2,751,921)
Deferred outflows of resources related to the net pension liability	985,022
Deferred inflows of resources related to the net pension liability	(228,626)
Net other postemployment benefit liability	(739,320)
Deferred outflows of resources related to the net other postemployment liability	153,348
Deferred inflows of resources related to the net other postemployment liability	<u>(168,266)</u>
Net position of governmental activities	<u>\$ 435,524</u>

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Food Service Special Revenue Fund	2010 General Obligation Refunding Bonds Debt Service Fund	Total Governmental Funds
Revenues				
Local sources	\$ 1,637,334	\$ 14,723	\$ 145,159	\$ 1,797,216
State sources	300,332	2,863	-	303,195
Federal sources	31,590	10,715	-	42,305
Interdistrict sources	15,178	-	-	15,178
Total revenues	1,984,434	28,301	145,159	2,157,894
Expenditures				
Current:				
Instruction	1,223,155	-	-	1,223,155
Supporting services	682,232	-	-	682,232
Food services	-	59,079	-	59,079
Debt service:				
Principal	-	-	200,000	200,000
Interest	-	-	8,174	8,174
Total expenditures	1,905,387	59,079	208,174	2,172,640
Revenues over (under) expenditures	79,047	(30,778)	(63,015)	(14,746)
Other financing sources (uses)				
Transfers in	-	31,152	-	31,152
Transfers out	(31,152)	-	-	(31,152)
Total other financing sources (uses)	(31,152)	31,152	-	-
Net change in fund balances	47,895	374	(63,015)	(14,746)
Fund balances, beginning of year	1,027,494	3,475	84,178	1,115,147
Fund balances, end of year	\$ 1,075,389	\$ 3,849	\$ 21,163	\$ 1,100,401

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ (14,746)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchased / constructed	47,092
Depreciation expense	(80,644)

Repayment of debt principal is an expenditure in the governmental funds, but a reduction in long-term debt in the statement of net position.

Principal payments on long-term debt	200,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in net pension liability and related deferred amounts	(123,189)
Change in the net other postemployment benefit liability and related deferred amounts	25,921
Change in the accrual for compensated absences	(3,202)
Change in accrued interest payable on bonds	1,333

Change in net position of governmental activities	<u>\$ 52,565</u>
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The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 1,603,387	\$ 1,636,224	\$ 1,637,334	\$ 1,110
State sources	266,808	300,440	300,332	(108)
Federal sources	39,609	32,664	31,590	(1,074)
Interdistrict sources	9,185	11,680	15,178	3,498
Total revenues	1,918,989	1,981,008	1,984,434	3,426
Expenditures				
Current:				
Instruction:				
Basic programs	1,033,155	1,051,891	1,029,786	(22,105)
Added needs	186,364	193,196	193,369	173
Supporting services:				
Pupil services	28,000	33,000	32,044	(956)
Instructional staff	19,643	11,937	7,910	(4,027)
General administration	279,842	275,463	258,562	(16,901)
Business services	22,293	38,633	37,513	(1,120)
Operations and maintenance	224,369	261,830	241,863	(19,967)
Pupil transportation	47,000	47,000	32,006	(14,994)
Central services - technology	73,346	50,670	43,693	(6,977)
Other support - athletics	28,687	29,981	28,641	(1,340)
Total expenditures	1,942,699	1,993,601	1,905,387	(88,214)
Revenues (under) over expenditures	(23,710)	(12,593)	79,047	91,640
Other financing uses				
Transfers out	(38,800)	(41,000)	(31,152)	(9,848)
Net change in fund balance	(62,510)	(53,593)	47,895	(101,488)
Fund balance, beginning of year	1,027,494	1,027,494	1,027,494	-
Fund balance, end of year	\$ 964,984	\$ 973,901	\$ 1,075,389	\$ 101,488

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Revenues, Expenditures, and Change in Fund Balance Budget and Actual - Food Service Special Revenue Fund For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Local sources	\$ 11,000	\$ 12,849	\$ 14,723	\$ 1,874
State sources	3,194	2,753	2,863	110
Federal sources	9,694	9,694	10,715	1,021
Total revenues	23,888	25,296	28,301	3,005
Expenditures				
Food services	63,206	66,055	59,079	(6,976)
Revenues (under) over expenditures	(39,318)	(40,759)	(30,778)	9,981
Other financing sources				
Transfers in	38,600	41,000	31,152	(9,848)
Net change in fund balance	(718)	241	374	133
Fund balance, beginning of year	3,475	3,475	3,475	-
Fund balance, end of year	\$ 2,757	\$ 3,716	\$ 3,849	\$ 133

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2019

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 18,748	\$ 63,613
Investments - certificates of deposit	107,076	-
	<u>125,824</u>	<u>-</u>
Total assets	125,824	\$ 63,613
Liabilities		
Due to student groups	-	\$ 63,613
	<u>-</u>	<u>\$ 63,613</u>
Net position restricted		
For scholarships	<u>\$ 125,824</u>	

The accompanying notes are an integral part of these basic financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2019

Additions	
Contributions	\$ 4,375
Interest income	<u>1,861</u>
Total additions	6,236
Deductions	
Scholarships	<u>300</u>
Change in net position	5,936
Net position, beginning of year	<u>119,888</u>
Net position, end of year	<u>\$ 125,824</u>

The accompanying notes are an integral part of these basic financial statements.

NOTES TO FINANCIAL STATEMENTS

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Mackinac Island Public School (the "District") is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the District's reporting entity, and which organizations are legally separate component units of the District. Based on application of the criteria, the District has no component units.

District-wide and Fund Financial Statements

The District-wide financial statements (i.e. the *statement of net position* and the *statement of activities*) report information on all of the non-fiduciary activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2019.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except taxes which must be collected within 60 days, and reimbursement type grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state school aid, expenditure-driven grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The *food service special revenue fund* accounts for the food service program sponsored by the District. Revenues in the food service program consist mainly of federal awards and charges for services. An operating deficit generated by this fund is the responsibility of the general fund.

The *2010 general obligation refunding bond debt service fund* accounts for the property taxes assessed and collected to repay the principal and interest on the bonds which refunded the bonds related to the 1999 construction project in the District.

Fiduciary funds account for assets held by the District in a trustee capacity or an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the District-wide financial statements. The District reports the following fiduciary funds:

The *private purpose trust funds* account for assets whereby both the principal and interest may be spent. The purpose of these trust funds is to provide scholarships to students of the District.

The *agency fund* accounts for assets held for other groups and organizations and are custodial in nature.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated sources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the District-wide financial statements.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of certificates of deposit and are reported at cost plus accrued interest.

Receivables and Payables

The District follows the practice of recording revenues that have been earned but not yet received as receivables at year end. Receivables consist primarily of state school aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). There were no interfund advance loans outstanding at June 30, 2019.

Prepaid Items

Payments to vendors for services that will benefit future periods are reported as prepaid items. Prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets

Capital assets, which include building and improvements and property and equipment, are reported in the governmental activities columns in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where actual information is not available. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	20-50
Furniture and equipment	5-20

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plans subsequent to the plan measurement date.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30, 2019 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these benefits for this period as a part of the compensation for services rendered in the preceding school year.

Long-term Obligations

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources are related to pension and net other postemployment benefit costs.

Fund Balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other districts. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the District's superintendent or his designee. Unassigned fund balance is the residual classification for the general fund.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Property Taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on July 1 and December 1 each year, based on the previous year's assessment, by township governments whose boundaries include property within the District, and are due on September 30 and February 28, respectively. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year end.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the food service special revenue fund. All annual appropriations lapse at fiscal year-end.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

The general fund and the food service special revenue fund are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (“GAAP”), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general fund and food service special revenue fund are adopted on a functional basis.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2019, the District incurred expenditures in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund			
Instruction - added needs	\$ 193,196	\$ 193,369	\$ 173

3. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 15% of the District's general fund revenue during the 2019 fiscal year.

4. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2019:

Statement of net position	
Cash and cash equivalents	\$ 1,183,123
Statement of fiduciary net position	
Private purpose trust funds:	
Cash and cash equivalents	18,748
Investments - certificates of deposit	107,076
Agency fund:	
Cash and cash equivalents	<u>63,613</u>
Total	<u>\$ 1,372,560</u>
Deposits and investments	
Checking and savings accounts:	\$ 1,265,444
Certificates of deposit:	
Due within one year	1,000
Due within one to five years	106,076
Cash on hand	<u>40</u>
Total	<u>\$ 1,372,560</u>

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Investments included in the private purpose trust fund consist of certificates of deposits which are reported at cost plus accrued interest and considered to be deposits for risk purposes.

Michigan law authorizes the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than five years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows all of the above types of investments. The District does not have specific policies relating to credit risk, interest rate risk or custodial risk for investments.

Deposit Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial risk. As of the year ended June 30, 2019, \$1,045,484 of the District's bank balance of \$1,402,560 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

5. RECEIVABLES

Receivables, as of June 30, 2019, are comprised of the following:

	Amount
Accounts receivable	\$ 7,675
Due from other governments	<u>75,932</u>
Total	<u>\$ 83,607</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities, as of June 30, 2019, are comprised of the following:

	Amount
Accounts payable	\$ 15,723
Accrued salaries and employee benefits	<u>143,377</u>
Total	<u>\$ 159,100</u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

There were no interfund balances as of June 30, 2019. The District reports interfund balances between certain funds. These interfund balances resulted primarily from the time lag between dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the account system, and 3) payments between funds are made.

Interfund transfers, for the year ended June 30, 2019, consisted of the following:

	Transfers in	Transfers out
General fund	\$ -	\$ 31,152
Food service special revenue fund	<u>31,152</u>	<u>-</u>
Total	<u>\$ 31,152</u>	<u>\$ 31,152</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

8. CAPITAL ASSETS

Capital asset activity, for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 45,360	\$ -	\$ -	\$ -	\$ 45,360
Capital assets, being depreciated:					
Buildings and improvements	3,252,156	-	-	-	3,252,156
Furniture and equipment	201,858	47,092	-	-	248,950
	<u>3,454,014</u>	<u>47,092</u>	<u>-</u>	<u>-</u>	<u>3,501,106</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,227,191)	(67,126)	-	-	(1,294,317)
Furniture and equipment	(138,955)	(13,518)	-	-	(152,473)
	<u>(1,366,146)</u>	<u>(80,644)</u>	<u>-</u>	<u>-</u>	<u>(1,446,790)</u>
Total capital assets being depreciated, net	<u>2,087,868</u>	<u>(33,552)</u>	<u>-</u>	<u>-</u>	<u>2,054,316</u>
Governmental activities capital assets, net	<u>\$ 2,133,228</u>	<u>\$ (33,552)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,099,676</u>

The land on which the school is built is owned by the City of Mackinac Island.

Depreciation expense was charged to functions/programs of the District as follows:

Depreciation of governmental activities by function

Instruction	\$ 11,794
Supporting services	18,695
Unallocated	50,155
	<u>\$ 80,644</u>

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

9. LONG-TERM DEBT

Long-term debt of the District consists of the following at June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
Other long-term debt					
Compensated absences	11,588	16,513	13,311	14,790	14,790
Total long-term debt	<u>\$ 211,588</u>	<u>\$ 16,513</u>	<u>\$ 213,311</u>	<u>\$ 14,790</u>	<u>\$ 14,790</u>

Interest expense was \$6,841 for the year ended June 30, 2019.

Compensated absences are generally liquidated by the general fund.

10. RETIREMENT PLAN

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member’s healthcare benefit are effective as of the member’s transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$255,340, which included \$102,809, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

For the year ended June 30, 2019, required and actual contributions from the District to the OPEB plan were \$66,154.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$5,405.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$2,751,921 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.00915%, which was an increase of 0.00011% from its proportion measured as of September 30, 2017.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized pension expense of \$370,464. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 12,769	\$ 19,998	\$ (7,229)
Changes in assumptions	637,343	-	637,343
Net difference between projected and actual earnings on pension plan investments	-	188,161	(188,161)
Changes in proportion and differences between employer contributions and proportionate share of contributions	101,051	20,467	80,584
	<u>751,163</u>	<u>228,626</u>	<u>522,537</u>
District contributions subsequent to the measurement date	233,859	-	233,859
	<u>233,859</u>	<u>-</u>	<u>233,859</u>
Total	<u><u>\$ 985,022</u></u>	<u><u>\$ 228,626</u></u>	<u><u>\$ 756,396</u></u>

The \$233,859 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 210,185
2021	167,544
2022	105,279
2023	<u>39,529</u>
Total	<u><u>\$ 522,537</u></u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$739,320 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.00930% which was an increase of 0.00022% from its proportion measured as of September 30, 2017.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

For the year ended June 30, 2019, the District recognized OPEB expense of \$39,629. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 137,606	\$ (137,606)
Changes in assumptions	78,294	-	78,294
Net difference between projected and actual earnings on OPEB plan investments	-	28,414	(28,414)
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,110	2,246	15,864
	<u>96,404</u>	<u>168,266</u>	<u>(71,862)</u>
District contributions subsequent to the measurement date	56,944	-	56,944
	<u>153,348</u>	<u>168,266</u>	<u>(14,918)</u>
Total	<u>\$ 153,348</u>	<u>\$ 168,266</u>	<u>\$ (14,918)</u>

The \$56,944 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ (18,125)
2021	(18,125)
2022	(18,125)
2023	(12,523)
2024	(4,964)
Total	<u>\$ (71,862)</u>

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.91%</u>
Investment rate of return			<u>7.05%</u>

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.81%
Investment rate of return			7.15%

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
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District's proportionate share of the net pension liability	\$ 3,613,059	\$ 2,751,921	\$ 2,036,455
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Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
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District's proportionate share of the net OPEB liability	\$ 887,539	\$ 739,320	\$ 614,650
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Sensitivity of the District's Proportionate Share of the Net OPEB Liability to the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
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District's proportionate share of the net OPEB liability	\$ 608,083	\$ 739,320	\$ 889,876
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MACKINAC ISLAND PUBLIC SCHOOL

Notes to Financial Statements

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2019, the District reported a payable of \$33,402 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$6,388 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of the District's net investment in capital assets as of June 30, 2019, includes capital assets, net of depreciation. The District has no long-term debt related to capital assets.

12. COMMITMENTS AND CONTINGENCIES

Federal and State Grant Programs. Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and contracts. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

Risk Management. The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. During fiscal 2019, the District had purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program, in which the District participates, operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2019.

MACKINAC ISLAND PUBLIC SCHOOL

■ Notes to Financial Statements

The District is a reimbursing employer to the Michigan Employment Security Commission (the "Commission") and as such is responsible to pay the Commission for all benefits paid and charged to the District. As of June 30, 2019, appropriate liabilities have been recorded for all claims paid by the Commission which have been submitted to the District. However, no provision has been made for future payments that might result from claims unprocessed or unfiled.

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REQUIRED SUPPLEMENTARY INFORMATION

MACKINAC ISLAND PUBLIC SCHOOL

Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,				
	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 2,751,921	\$ 2,343,537	\$ 2,181,517	\$ 2,028,591	\$ 1,903,843
District's proportion of the net pension liability	0.00915%	0.00904%	0.00874%	0.00831%	0.00864%
District's covered payroll	\$ 792,245	\$ 762,991	\$ 763,038	\$ 701,492	\$ 733,472
District's proportionate share of the net pension liability as a percentage of its covered payroll	347.36%	307.15%	285.90%	289.18%	259.57%
Plan fiduciary net position as a percentage of the total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

MACKINAC ISLAND PUBLIC SCHOOL

Required Supplementary Information
 MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Pension Contributions

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 255,340	\$ 250,381	\$ 252,756	\$ 188,641	\$ 156,877
Contributions in relation to the statutorily required contribution	<u>(255,340)</u>	<u>(250,381)</u>	<u>(252,756)</u>	<u>(188,641)</u>	<u>(156,877)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 862,045	\$ 779,237	\$ 767,143	\$ 745,410	\$ 694,562
Contributions as a percentage of covered payroll	29.62%	32.13%	32.95%	25.31%	22.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

MACKINAC ISLAND PUBLIC SCHOOL

Required Supplementary Information
 MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,	
	2019	2018
District's proportionate share of the net OPEB liability	\$ 739,320	\$ 803,862
District's proportion of the net OPEB liability	0.00930%	0.00908%
District's covered payroll	\$ 792,245	\$ 762,991
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.32%	105.36%
Plan fiduciary net position as a percentage of the total OPEB liability	42.95%	36.39%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

MACKINAC ISLAND PUBLIC SCHOOL

Required Supplementary Information
 MPERS Cost-Sharing Multiple-Employer Plan

Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,	
	2019	2018
Statutorily required contribution	\$ 66,154	\$ 55,671
Contributions in relation to the statutorily required contribution	<u>(66,154)</u>	<u>(55,671)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 862,045	\$ 779,237
Contributions as a percentage of covered payroll	7.67%	7.14%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

MACKINAC ISLAND PUBLIC SCHOOL

Schedule of Revenues

General Fund

For the Year Ended June 30, 2019

Revenues

Local sources:	
Property taxes	\$ 1,498,167
Operating grants and contributions	107,169
Interest	31,998
	<hr/>
Total local sources	1,637,334
	<hr/>
State sources:	
Special education headlee obligation	69,065
Isolated District grant	101,460
MPSER cost offset	102,809
Other	26,998
	<hr/>
Total state sources	300,332
	<hr/>
Federal sources:	
Flowthrough	11,500
Rural Education Achievement Program	16,864
State pass-through Title I and Title IIA	3,226
	<hr/>
Total federal sources	31,590
	<hr/>
Interdistrict sources:	
Special education distribution	6,705
Other	8,473
	<hr/>
Total interdistrict sources	15,178
	<hr/>
Total revenues	\$ 1,984,434
	<hr/> <hr/>

MACKINAC ISLAND PUBLIC SCHOOL

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

Expenditures

Instruction

Basic programs

Preschool:

Salaries

\$ 32,271

Employee benefits

18,914

Supplies and materials

2,595

Total preschool

53,780

Elementary:

Salaries

234,760

Employee benefits

151,554

Purchased services

12,568

Supplies and materials

26,725

Capital outlay

1,423

Total elementary

427,030

Secondary:

Salaries

292,241

Employee benefits

203,435

Purchased services

36,485

Supplies and materials

9,853

Capital outlay

2,052

Total secondary

544,066

Summer:

Salaries

3,400

Employee benefits

1,510

Total summer

4,910

Total basic programs

1,029,786

Added needs

Special education:

Salaries

98,731

Employee benefits

60,984

Purchased services

5,007

Supplies and materials

992

Total special education

165,714

Compensatory education:

Salaries

8,825

Employee benefits

5,901

Purchased services

2,153

Supplies and materials

2,378

Total compensatory education

19,257

Career and technical education:

Purchased services

8,398

Total added needs

193,369

Total instruction

1,223,155

Continued...

MACKINAC ISLAND PUBLIC SCHOOL

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

Supporting services	
Pupil services	
Speech services:	
Purchased services	<u>\$ 32,044</u>
Instructional staff	
Library:	
Supplies and materials	257
Improvement of instruction:	
Purchased services	4,807
Supervision and direction of instructional staff:	
Purchased services	1,887
Academic student assessment:	
Supplies and materials	<u>959</u>
Total instructional staff	<u>7,910</u>
General administration	
Board of education:	
Salaries	420
Employee benefits	184
Purchased services	31,396
Other	<u>686</u>
Total board of education	<u>32,686</u>
Executive administration:	
Salaries	114,236
Employee benefits	93,007
Purchased services	9,203
Supplies and materials	6,874
Other	<u>2,556</u>
Total executive administration	<u>225,876</u>
Total general administration	<u>258,562</u>
Business services	
Fiscal services:	
Purchased services	30,500
Other business services:	
Supplies and materials	<u>7,013</u>
Total business services	<u>37,513</u>

Continued...

MACKINAC ISLAND PUBLIC SCHOOL

Schedule of Expenditures and Other Financing Uses

General Fund

For the Year Ended June 30, 2019

Supporting services (concluded)	
Operations and maintenance:	
Salaries	\$ 43,607
Employee benefits	36,506
Purchased services	96,604
Supplies and materials	65,146
Total operations and maintenance	<u>241,863</u>
Pupil transportation:	
Purchased services	<u>32,006</u>
Central services	
Technology:	
Salaries	1,500
Employee benefits	691
Purchased services	41,352
Supplies and materials	150
Total technology	<u>43,693</u>
Other services	
Athletics:	
Salaries	7,651
Employee benefits	3,431
Purchased services	14,162
Supplies and materials	3,397
Total athletics	<u>28,641</u>
Total supporting services	<u>682,232</u>
Total expenditures	1,905,387
Other financing uses	
Transfer out	<u>31,152</u>
Total expenditures and other financing uses	<u>\$ 1,936,539</u>
	Concluded

MACKINAC ISLAND PUBLIC SCHOOL

Statement of Changes in Fiduciary Assets and Liabilities Agency Fund For the Year Ended June 30, 2019

	Balances July 1, 2018	Receipts	Disbursements	Balances June 30, 2019
Assets				
Cash	\$ 44,872	\$ 110,009	\$ 91,268	\$ 63,613
Liabilities				
Due to student groups	\$ 44,872	\$ 110,009	\$ 91,268	\$ 63,613
Due to student groups				
Class of 2018	\$ 808	\$ -	\$ 808	\$ -
Class of 2019	1,892	7,268	8,156	1,004
Class of 2020	971	1,805	920	1,856
Class of 2021	1,404	4,236	2,913	2,727
Class of 2022	-	4,830	4,149	681
Project Close-Up	421	3,188	-	3,609
Travel Club	10,954	1,603	-	12,557
Kindness Fund	2,042	153	200	1,995
Activity Fund	839	42,447	41,436	1,850
Yearbook	33	-	-	33
Golf	1,735	3	-	1,738
Sports Boosters	12,358	26,913	28,518	10,753
Memorial Fund	5,039	2,534	-	7,573
PR Reserve Account	3,447	10,988	-	14,435
Northern Lights League	2,929	4,041	4,168	2,802
Total	\$ 44,872	\$ 110,009	\$ 91,268	\$ 63,613

MACKINAC ISLAND PUBLIC SCHOOL

Combining Statement of Fiduciary Assets and Liabilities Private Purpose Trust Funds June 30, 2019

	John Franks Scholarship Fund	Stella King Scholarship Fund	Total
Assets			
Cash and cash equivalents	\$ 8,411	\$ 10,337	\$ 18,748
Investments - certificates of deposit	106,076	1,000	107,076
	<u>114,487</u>	<u>11,337</u>	<u>125,824</u>
Total assets equal to net position, restricted for scholarships	\$ 114,487	\$ 11,337	\$ 125,824

MACKINAC ISLAND PUBLIC SCHOOL

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2019

	John Franks Scholarship Fund	Stella King Scholarship Fund	Total
Additions			
Donations	\$ -	\$ 4,375	\$ 4,375
Investments earnings	1,846	15	1,861
Total additions	<u>1,846</u>	<u>4,390</u>	<u>6,236</u>
Deductions			
Scholarships	-	300	300
Change in net position	<u>1,846</u>	<u>4,090</u>	<u>5,936</u>
Net position, beginning of year	<u>112,641</u>	<u>7,247</u>	<u>119,888</u>
Net position, end of year	<u>\$ 114,487</u>	<u>\$ 11,337</u>	<u>\$ 125,824</u>

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Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

October 31, 2019

Board of Education
Mackinac Island Public Schools
Mackinac Island, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Mackinac Island Public School* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Loborn LLC

MACKINAC ISLAND PUBLIC SCHOOL

Schedule of Findings and Responses

For the Year Ended June 30, 2019

None noted.

